

Renewable Energy and Energy Optimization Standards Public Act 295 of 2008

**Michigan House of Representatives
Energy and Technology Committee
September 10, 2013**

**Paul Proudfoot
Director, Electric Reliability Division
Michigan Public Service Commission
Department of Licensing and Regulatory Affairs**

Public Act 295 of 2008

- “Clean, Renewable, Efficient Energy Act”
- Purpose of the act is to cost-effectively do all of the following:
 - Diversify Michigan’s generation portfolio.
 - Increase energy security through the use of Michigan based resources.
 - Encourage private investment in renewable energy.
 - Provide environmental benefits.

Renewable Energy Standard

Applies to all Michigan electric providers (including investor owned, cooperative and municipal utilities and alternative electric suppliers)

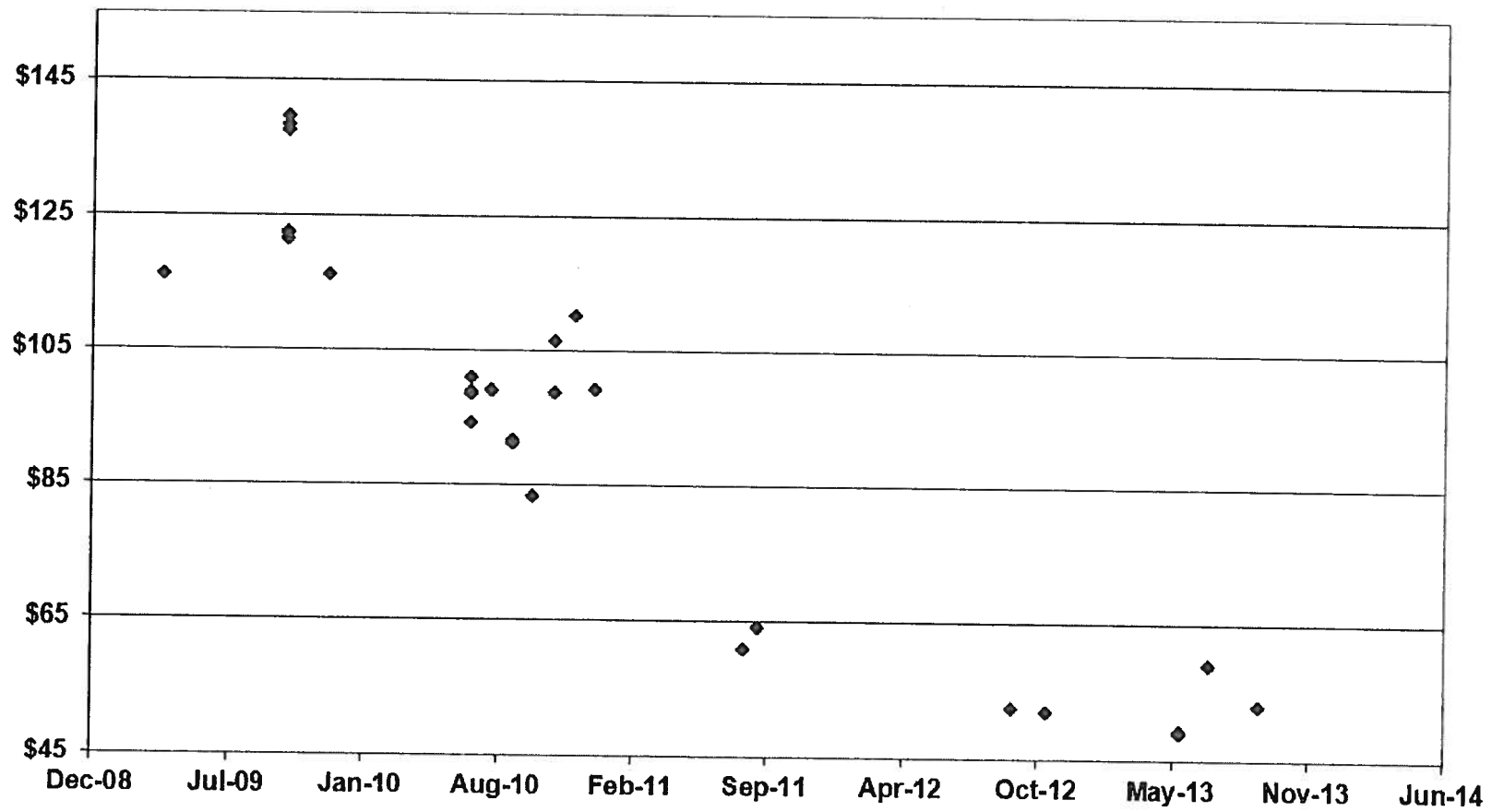
- 10 % by 2015.
- Interim targets in 2012, 2013 and 2014.
- Electric providers will meet these requirements through the purchase and/or production of Renewable Energy Credits (RECs).

Renewable capacity targets in addition to REC requirements for DTE Electric and Consumers Energy.

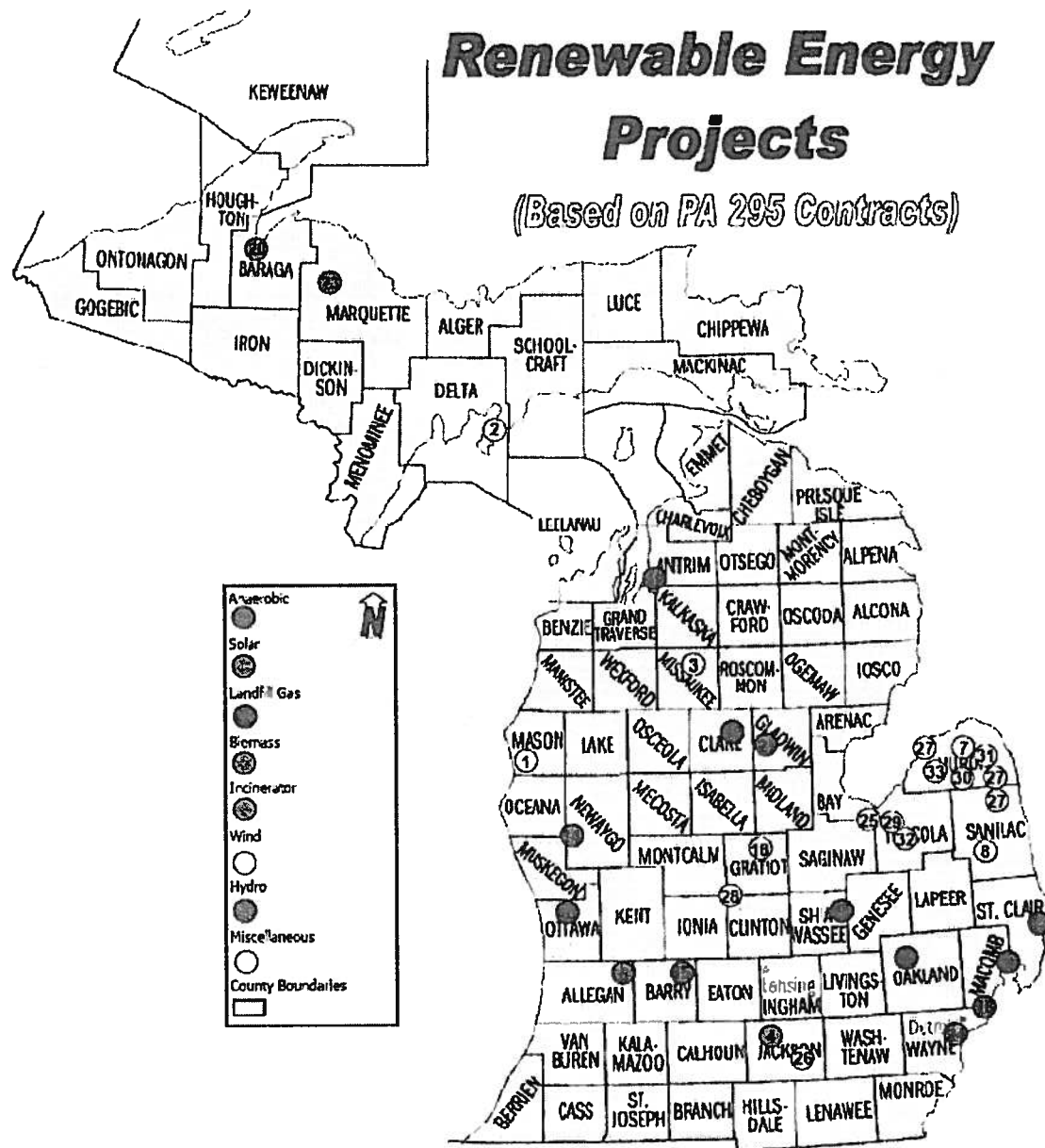
Renewable Energy Surcharge Caps

- Incremental cost of renewable energy is recovered via a surcharge.
- Section 45 of 2008 PA 295 caps renewable energy surcharges by customer class:
 - \$3.00 per month per residential meter
 - \$16.58 per month per commercial secondary meter
 - \$187.50 per month per commercial primary or industrial meter
- 23 electric providers have residential renewable energy surcharges.
- 36 electric providers have no residential renewable energy surcharges.
- Revised surcharges are pending (residential surcharges shown below)
 - Consumers Energy proposed reduction from \$0.52 to \$0
 - DTE Electric proposed reduction from \$3 to \$0.43

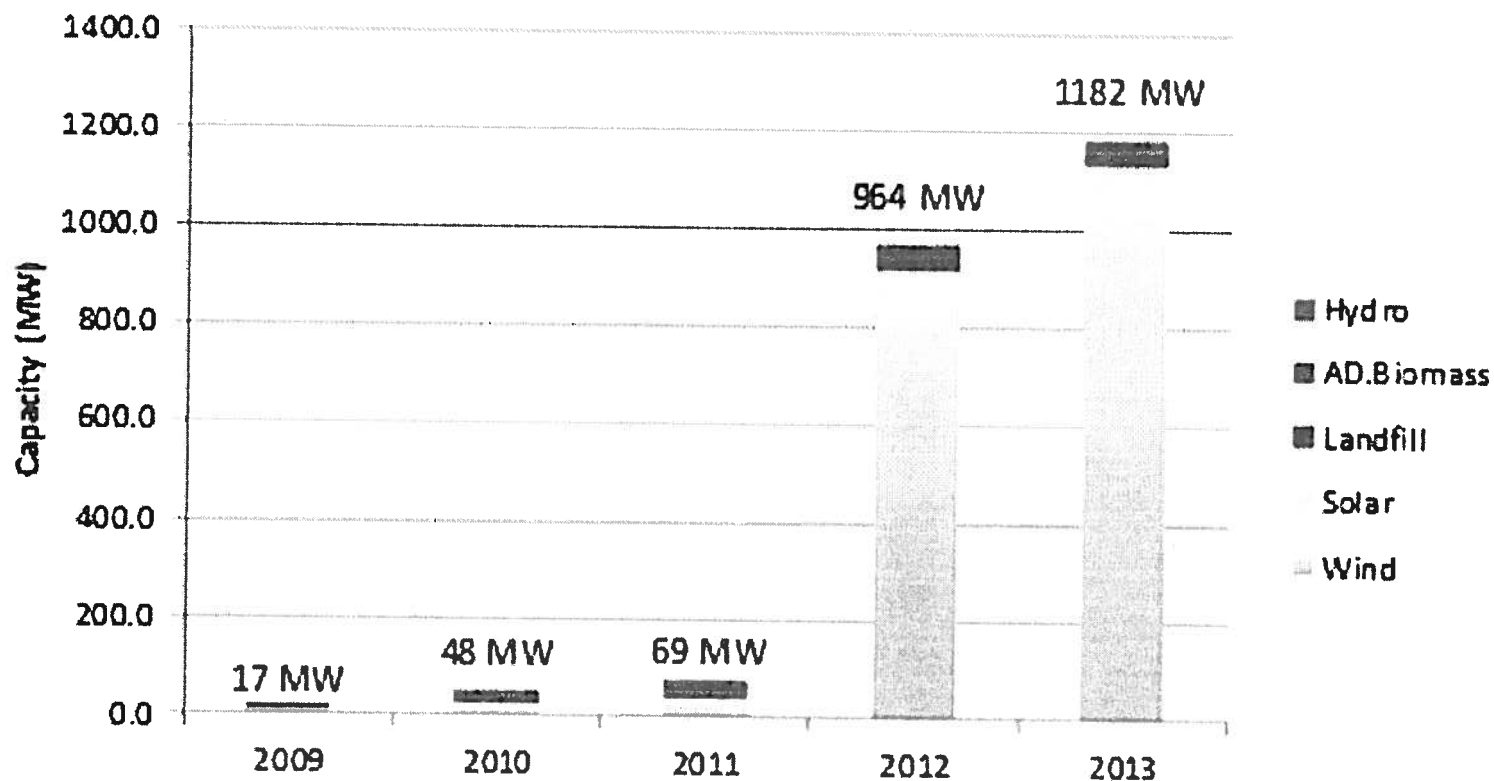
Levelized Cost of Renewable Energy Contracts Over Time (\$ per MWh)



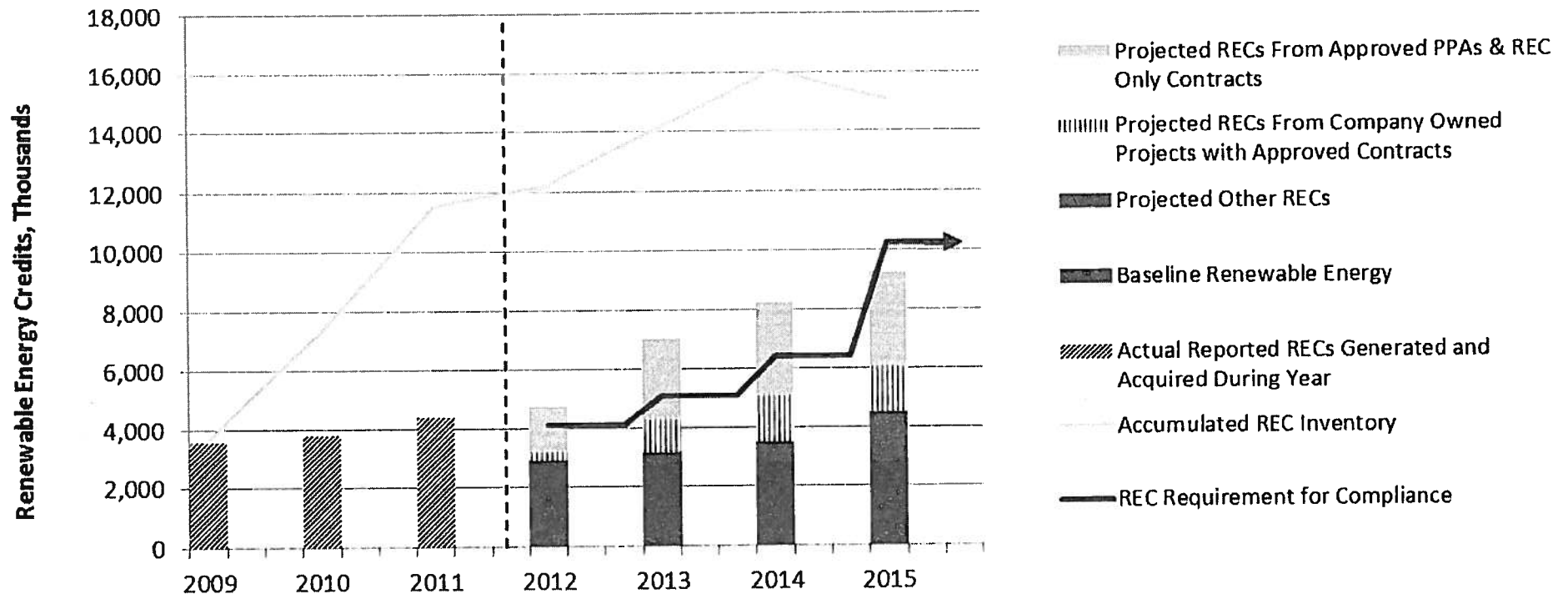
(Based on PA 295 Contracts)



Cumulative Act 295 Renewable Energy Capacity by Commercial Operation Date



Status of Michigan Renewable Energy



Renewable Energy Standard Results

- The Renewable Energy Standard has resulted in over 1000 MW of new renewable energy in Michigan.
- Renewable energy costs are less than initially expected and are trending downward.
- 70 of 71 electric providers are expected to meet the 10% standard.
- Standard has resulted in significant private investment in renewable energy projects.

Energy Optimization Standard

- Requires all natural gas and electric utilities in the state to implement programs to annually reduce overall energy usage by specified targets.
 - Electric Utilities – 1.0% of retail sales
 - Natural Gas Utilities – 0.75% of retail sales
- Goal is to reduce the future costs of gas and electric service to customers.

Efficiency Program Offerings

- Programs are divided into two broad categories: residential and commercial/industrial.
- Residential programs:
 - Lighting
 - Heating, ventilation and air conditioning
 - Weatherization (building envelope –insulation air sealing)
 - Energy education
 - Pilot programs
- Commercial/Industrial programs:
 - Prescriptive incentives (for individual measures)
 - Custom incentives
 - Energy education
 - Pilot programs.
 - Self-directed

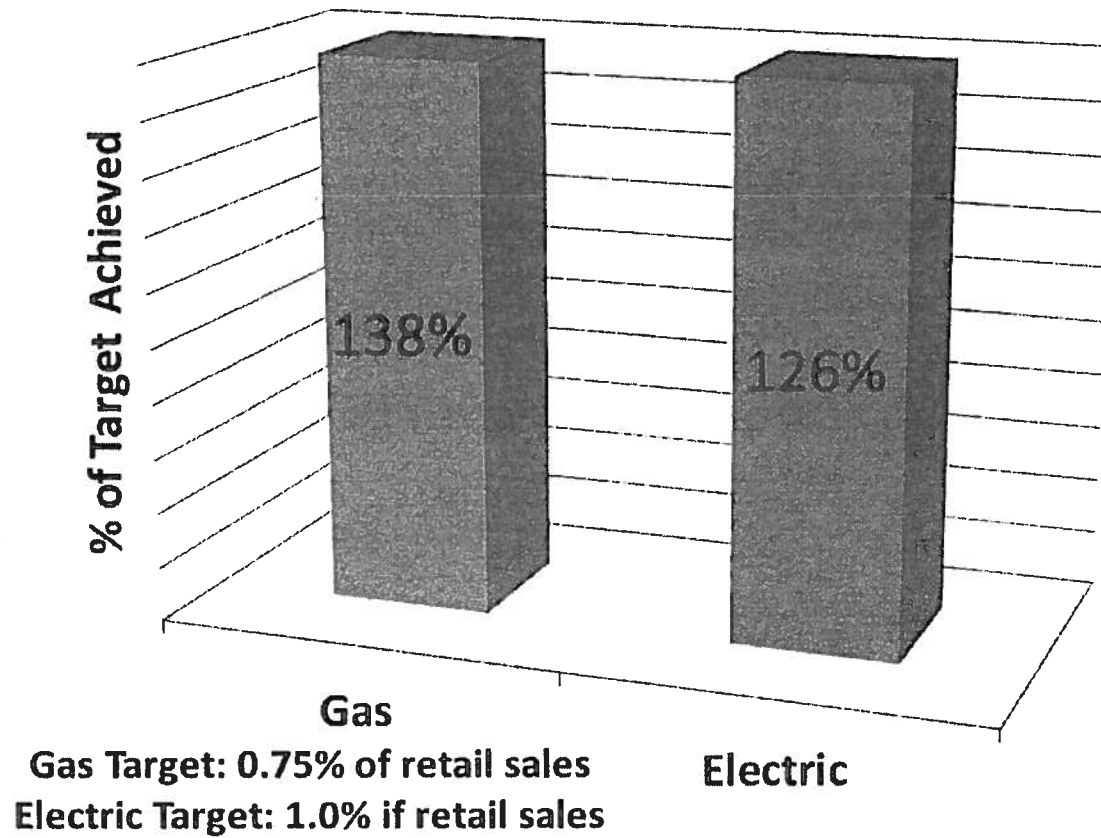
Energy Optimization Programs

- Utility company surcharges fund energy efficiency programs
- Average residential charge:
 - Consumers Energy
 - \$1.29 per month per electric bill
 - \$ 2.52 per month per natural gas bill
 - DTE Energy
 - \$1.36 per month per electric bill
 - \$1.53 per month per natural gas bill

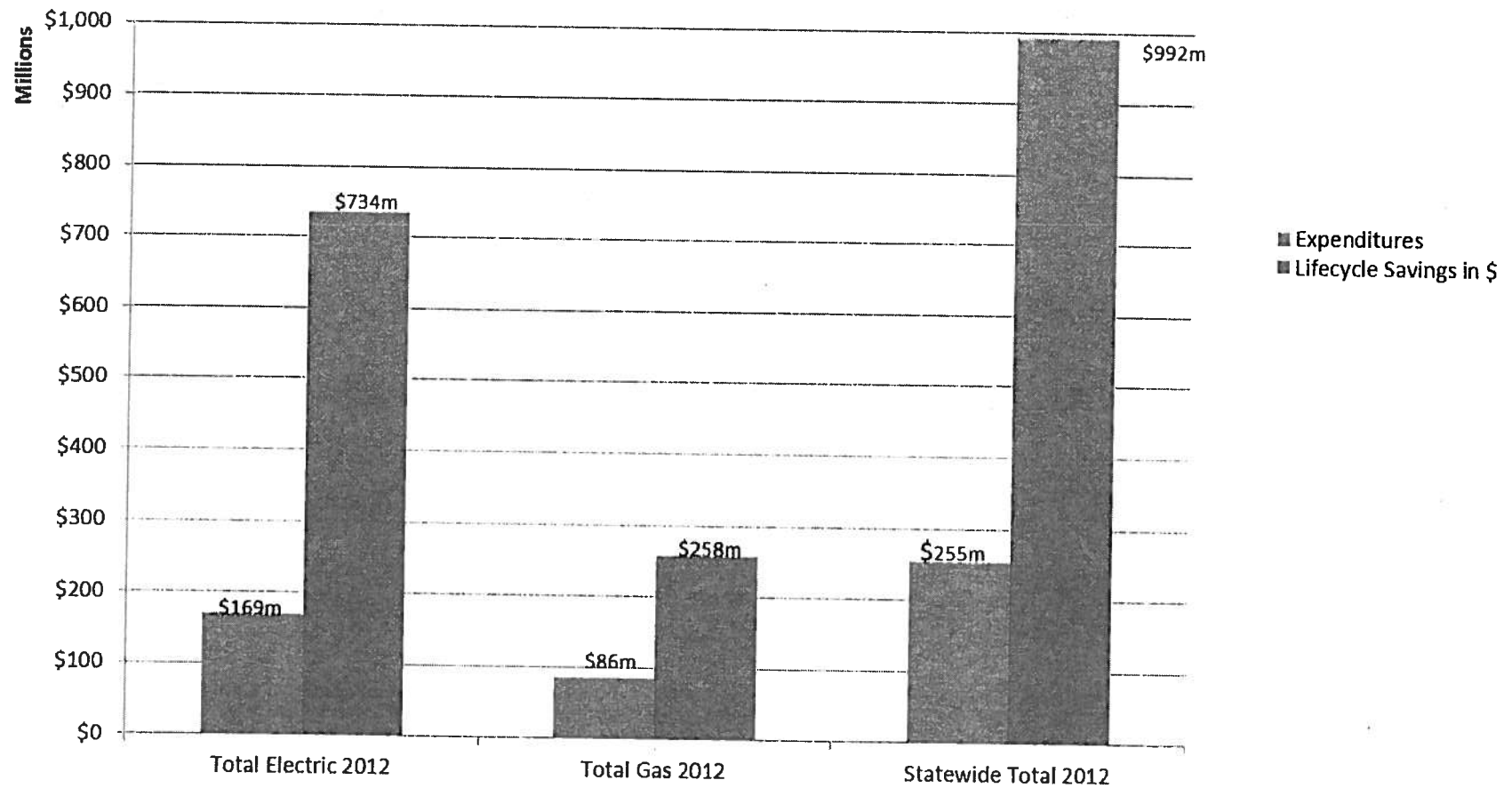
Energy Optimization Implementation

- Building an initial and continuing partnership with the providers has contributed to the successful implementation of 2008 PA 295.
- Small utilities such as municipalities and cooperatives were provided more flexibility through Commission orders to help with the continuance of their compliance with the Act.
- Low -income customer benefits from EO programs totaled approximately \$72 million in 2012.

Statewide EO Provider Performance 2012



Statewide EO Impact 2012



Energy Optimization Results

- Energy Optimization program expenditures of \$255 million resulted in lifecycle savings to customers of at least \$992 million. (2012 data)
- Electricity not consumed due to EO programs can be credited with significant generation emission reductions.
- Cumulative reduction in customer demand has resulted in the deferral of the need to build new electric generation capacity.
- EO programs produce a net positive impact on Michigan's economy.

Next Steps...



Report Topic	Draft Report Release for Comments	Due Date for Public Comments	Release Final Report
Renewable Energy	9/16/13	10/11/13	11/4/13
Additional Areas	10/1/13	10/22/13	11/15/13
Electric Choice	10/15/13	11/1/13	11/20/13
Energy Efficiency	10/22/13	11/6/13	11/26/13

Governor's Energy Information Gathering Process – Report Release Timeline

Questions?

michigan.gov/mpsc